

## Message Text

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70

ACTION COME-00

INFO OCT-01 EUR-25 IO-14 ISO-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 FRB-02 INR-10 NSAE-00 LAB-06 SIL-01 DODE-00

AEC-11 L-03 MC-02 ACDA-19 EA-11 SCI-06 DRC-01 /190 W

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R 301430Z OCT 73

FM AMCONSUL MILAN

TO SECSTATE WASHDC 3409

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

US MISSION EC BRUSSELS

US MISSION GENEVA 029

OECD PARIS

AMEMBASSY ROME

AMCONSUL TURIN

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E.O. 11652: N/A

TAGS: EIND, EEC, IT

SUBJECT: EC COMPUTER POLICY

REF: (A) ROME 11474; (B) STATE 202468; (C) STATE 146948;  
(D) USEC BRUSSELS A-148, 4/6/73

1. SUMMARY: CONSULATE OFFICERS HAVE DISCUSSED (MEMCONS TO FOLLOW) POSSIBLE IMPLICATIONS ADOPTION EC COMPUTER POLICY ALONG LINES DESCRIBED REF D WITH REPRESENTATIVES MAJOR U.S. LIMITED OFFICIAL USE  
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FIRMS I LARGE COMPUTER FIELD HEADQUARTERED MILAN: HONEYWELL INFORMATION SYSTEMS ITALIA - (HISI); IBM ITALIA; AND SPERRY RAND (UNIVAC). SUBJECT ALSO REVIEWED WITH REPRESENTATIVES OLIVETTI, ONLY LARGE ITALIAN FIRM MANUFACTURING DATA

PROCESSING EQUIPMENT. ALL AGREED LACK OF ITALIAN NATIONAL INDUSTRY IN LARGE COMPUTER FIELD MOST IMPORTANT FACTOR IN DETERMINING GOI POSITION ON EC COMPUTER POLICY. WHILE IBM AND HONEYWELL FIRMLY OPPOSED TO "EUROPEAN COMPUTER PREFERENCES." SPERRY HAS APPARENTLY CONCLUDED THIS INEVITABLE AND MANEUVERING TO GET IN ON GROUND FLOOR AS SILENT "EUROPEAN."

2. CONSENSUS COMPANY REPRESENTATIVES WAS THAT GOI IS OPPOSED TO MANY ASPECTS EC COMPUTER POLICY AS DESCRIBED REF (D), BUT ALL EMPHASIZED THAT PRESENT POSITION IS SHALLOWLY-BASED REFLECTING LACK OF BUREAUCRATIC PREPARATION AND MARGINAL ITALIAN INDUSTRY STAKE. FOR INSTANCE, VIEWS EXPRESSED BY MINISTRY OF INDUSTRY IN REFTEL (A) ARE IDENTICAL THOSE EXPRESSED BY OLIVETTI REPRESENTATIVE. GOI DISINTREST BELIEVED TO STEM BASICALLY FROM LACK OF DOMESTIC LARGE COMPUTER INDUSTRY OR INTERESTS IN POSITION TO BENEFIT FROM INCREASED EFFORT OR FUNDING WHICH MIGHT ACCOMPANY ADOPTION EC PREFERENTIAL COMPUTER POLICY. OTHER REASONS INCLUDE (A) COST OF DEVELOPING INDEPENDENT EC COMPUTER CAPABILITY--SEVERAL MENTIONED "CONCORDE" IN THIS RESPECT--, (B) LENGTH OF TIME NECESSARY TO DEVELOP COMPETITIVE PRODUCT AND (C) DIFFICULTY OVERCOMING U.S. TECHNOLOGICAL LEAD. COMPANY REPRESENTATIVES INDICATED THAT CURRENT GOI ATTITUDE WOULD CHANGE IF ITALIAN INDUSTRY OBTAINED SUFFICIENT STAKE IN DEVELOPMENT EC COMPUTER, OR IF SUPPORT FOR PREFERENTIAL EC COMPUTER POLICY WAS PRICE OF OBTAINING OTHER CONCESSIONS FROM THOSE COUNTRIES MORE INTERESTED IN EC COMPUTER, SUCH AS FRANCE OR GERMANY.

3. JOINT VENTURE PHILIPS (HOLLAND), CII (FRANCE), SIEMENS (W. GERMANY) UNIDATA IS NOT SEEN AS VIABLE VEHICLE FOR DEVELOPMENT EC COMPUTER AT PRESENT TIME. HOWEVER, REPS NOTED SITUATION COULD CHANGE IF UNIDATA ACQUIRED TRU EUROPEAN SCOPE. IN ITALY, OLIVETTI HAS REJECTED UNIDATA OVERTURES BUT UNIDATA APPROACHES IN PROCESS TO SIT-SIEMENS, TELECOM-MUNICATIONS EQUIPMENT MANUFACTURER (NO LONGER CONTROLLED BY LIMITED OFFICIAL USE  
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SIEMENS, W. GERMANY), AND SELENIA, SMALL MANUFACTURER OF PROCESS AND ANALOG COMPUTERS. BOTH FIRMS CONTROLLED BY GOI-HOLDING COMPANY I.R.I., WHICH IS OFTEN INFLUENTIAL IN SETTING GOI INDUSTRIAL POLICY.

4. U.S. MANUFACTURERS REACTION TO PROPOSED EC COMPUTER POLICY VARIES ACCORDING TO PRESENT MARKET SHARE, AND PERCEIVED FUTURE. IBM-ITALIA, WITH ESTIMATED 60 PERCENT ITALIAN MARKET, IS CONFIDENT --EVEN SMUG-- THAT PRESENT MARKET DOMINANCE WILL BE MAINTAINED DESPITE THREAT POSED BY GOVERNMENT PURCHASING DISCRIMINATION. HISI, WITH MARKET SHARE ESTIMATED AT 20-30 PERCENT, IS JUST BEGINNING TO

RECOUP EXPENSES INVOLVED IN INTEGRATION EX-GENERAL ELECTRIC/OLIVETTI ITALIAN COMPUTER OPERATIONS AND IS MOUNTING AGGRESSIVE MARKETING CAMPAIGN DESIGNED TO ASSURE ADEQUATE SHARE OF "NEW" BUSINESS, MUCH OF WHICH WILL REPRESENT GOVERNMENT OR NATIONALIZED-INDUSTRY PURCHASING. EC COMPUTER WOULD BE AIMED PRECISELY THIS SECTOR. THUS, THREAT TO HISI MUCH GREATER THAN TO IBM. SPERRY RAND, IN CONTRAST OTHER US PRODUCERS, IS THINKING OF TAKING ADVANTAGE OF PROPOSED EC COMPUTER POLICY BY SEEKING TO PARTICIPATE AS MINORITY PARTNER IN JOINT EUROPEAN COMPUTER EFFORT. SPERRY RAND POSSESSES MEDIUM- AND LARGE- COMPUTER TECHNOLOGY LACKED BY EUROPEANS.

5. OLIVETTI ATTITUDE WILL BE IMPORTANT IN EVENTUAL FORMATION GOI POLICY TOWARD EC COMPUTER INITIATIVE. COMPANY EXPECTS TO PLAY MAJOR ROLE IN PROVISION TERMINALS AND PERIPHERALS; THUS, CURRENT COMPANY POLICY EMPHASIZES COMPATIBILITY OF ITS PRODUCTION WITH EQUIPMENT MARKETING BY LARGEST POSSIBLE RANGE OF PRODUCERS, AND SEEKS TO AVOID OVER-RELIANCE ON ANY PARTICULAR PRODUCT OR RANGE OF PRODUCTS WHICH COULD BE POSSIBLE OUTCOME OF UNIDATA AFFILIATION. NOR DOES OLIVETTI BELIEVE THAT UNIDATA CONCEPT LIKELY TO SUCCEED. OLIVETTI THEREFORE OPPOSED TO PARTICIPATION IN EC PROJECT REPRESENTED BY UNIDATSA, SEEING NO BENEFITS COMMENSURATE WITH OLIVETTI CONTRIBUTION TO COMPETITORS SALES NETWORK. WHETHER OLIVETTI OBJECTIONS TO UNIDATA OR OTHER EC COMPUTER CONSORTIUM COULD BE OVERCOME BY PROVISION GOI DIRECT OR INDIRECT SUBSIDY OR PRESSURE IS AN OPEN AND AS YET PREMATURE QUESTION. OLIVETTI, WITH IBM ITALIA AND HISI, IS IN PROCESS OF ESTABLISHING OFFICE IN ROME TO LOBBY GOI RE VIEWS ITALIAN LIMITED OFFICIAL USE  
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DATA PROCESSING INDUSTRY, NOW OPPOSED TO PREFERENTIAL EUROPEAN LARGE COMPUTER POLICY, AND TO ENCOURAGE GOI PROVISION R & D FUNDS. IT IS PROBABLY UNREALISTIC TO EXPECT OLIVETTI TO DEFY GOI OPENLY. BUT OLIVETTI APPEARS IN POSITION SUBSTANTIALLY TO AFFECT TERMS AND CONDITIONS UNDER WHICH ITS PARTICIPATION IN AN EC "CHOSEN INSTRUMENT" WOULD BE REQUESTED SHOULD THE GOI --OLIVETTI-- FIND IT CONVENIENT.

6. COMMENT: WITH RESPECT TO ITALY, GOI POLICY LIKELY TO REFLECT VIEWPOINT OF OLIVETTI AND TO LESSER EXTENT, THAT OF US MANUFACTURERS RESIDENT IN ITALY. BOTH CONVINCED CURRENT GOI POLICY DERIVES MORE FROM LOW-LEVEL OF NATIONAL INTERESTS AT STAKE THAN CONVICTION OF JUSTICE EMBODIED U.S.G. POSITION. US MANUFACTURERS' DIFFERING GOALS ILLUSTRATE PROBLEMS THAT WOULD BE FACED IN OBTAINING LOCAL SUPPORT FOR U.S.G. INITIATIVES DESIGNED TO ELIMINATE MOST HARMFUL PROVISIONS OF PROSPECTIVE EC COMPUTER POLICY IDENTIFIED IN REFTEL (C). FOR INSTANCE, U.S.G. SUPPORT WOULD BE WELCOMED BY HISI, FEELING THREATENED BY EC COMPUTER POLICY, BUT DISCOURAGED OR LIMITED BY SPERRY RAND, SEEKING TO TAKE

ADVANTAGE OF THE DISCRIMINATION POTENTIALLY IMPLIED IN THE  
POLICY. NOT SURPRISINGLY, CONSULTATIONS ALSO SUGGESTED THAT  
EC MOVES DESIGNED SPECIFICALLY TO REDUCE INFLUENCE AND MARKET  
SHARE OF IBM WOULD BE VIEWED WITH CONSIDERABLE EQUANIMITY  
BY OTHER US COMPANIES. FINA

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